

<b>Committee(s)</b>	<b>Dated:</b>
Culture, Heritage and Libraries	10/07/17
<b>Subject:</b> Revenue Outturn – 2016/17	<b>Public</b>
<b>Report of:</b> The Chamberlain Assistant Town Clerk and Cultural Hub Director Director of Open Spaces Director of Community and Children’s Services <b>Report author:</b> Mark Jarvis, Chamberlain’s Department	<b>For Information</b>

### Summary

This report compares the revenue outturn for the services overseen by your Committee in 2016/17 with the final agreed budget for the year. Overall total net expenditure during the year was £19.519m, whereas the total agreed budget was £20.058m, representing a decrease in net expenditure of £539K. The favourable variance on the Director’s local risk was £540K of which £718K related to Tower Bridge Tourism, mainly as a result of income generation being significantly above target.

<b>Summary Comparison of 2016/17 Revenue Outturn with Final Agreed Budget</b>			
	<b>Final Approved Budget £000</b>	<b>Revenue Outturn £000</b>	<b>Variation Increase/ (Reduction) £000</b>
<b>Local Risk</b>			
Assistant Town Clerk and Cultural Hub Director	5,863	5,807	(56)
Director of Open Spaces	(1,206)	(1,788)	(582)
Director of Community and Children’s Services	2,200	2,183	(17)
City Surveyor	574	689	115
<b>Total Local Risk</b>	<b>7,431</b>	<b>6,891</b>	<b>(540)</b>
<b>Central Risk</b>			
Assistant Town Clerk and Cultural Hub Director	6,579	6,619	40
Director of Open Spaces	(229)	(260)	(31)
Director of Community and Children’s Services	327	293	(34)
<b>Total Central Risk</b>	<b>6,677</b>	<b>6,652</b>	<b>(25)</b>
<b>Capital &amp; Support Services</b>	<b>5,950</b>	<b>5,976</b>	<b>26</b>
<b>Overall Totals</b>	<b>20,058</b>	<b>19,519</b>	<b>(539)</b>

The Chief Officers have submitted requests to carry forward £256,000 from the local risk favourable variance, (Assistant Town Clerk and Cultural Hub Director £39,000, Director of Open Spaces £200,000 and Director of Community and Children's Services £17,000), and these requests will be considered by the Chamberlain in consultation with the Chairman and Deputy Chairman of the Resource Allocation Sub Committee.

### **Recommendations**

- It is recommended that this revenue outturn report for 2016/17 and the proposed carry forward of underspends to 2017/18 are noted.

### **Main Report**

1. Actual net expenditure for your Committee's services during 2016/17 totalled £19.519m, a favourable variance of £539K compared to the final approved budget of £20.058m. A summary comparison with the final agreed budget for the year is tabulated below. In this and subsequent tables, figures in brackets indicate income or in hand balances, increases in income or decreases in expenditure. A reconciliation of original local risk budget to the final agreed local risk budget is provided in Appendix 1.
2. In December 2016 it was jointly agreed by Culture, Heritage and Libraries Committee, Establishment Committee and Policy and Resources Committee to dissolve the Culture, Heritage and Libraries Department and move the services into other City of London Corporation Departments from 1 February 2017. As a result, Tower Bridge, Monument and Keats House became part of the Open Spaces Department. Barbican and Community Libraries, along with the Information Services Section (which transferred responsibility from Guildhall Library) became part of the Community and Children's Services Department. Guildhall Library, City Business Library, City Police Museum, London Metropolitan Archives and all assets and services under Cultural and Visitor Development became part of the Town Clerk's Department.

**Culture, Heritage and Libraries Committee – Comparison of 2016/17  
Revenue Outturn with Final Agreed Budget**

	Original Budget £000	Final Agreed Budget £000	Revenue Outturn £000	Variation Increase/ (Decrease) £000	Paragraph Reference
<b>LOCAL RISK</b>					
<b>Assistant Town Clerk and Cultural Hub Director</b>					
<b>City Fund</b>					
Guildhall Library & City Business Library	1,462	1,413	1,413	-	
Central Management	623	325	288	(37)	
Guildhall Art Gallery	354	363	381	18	
London Metropolitan Archives	1,884	1,901	1,919	18	
City Records Service	1,053	1,064	1,041	(23)	
Visitor Services & City Information Centre	648	673	657	(16)	
Lower Thames Street*	8	8	10	2	
<b>Total City Fund</b>	<b>6,032</b>	<b>5,747</b>	<b>5,709</b>	<b>(38)</b>	
<b>City's Cash</b>					
Monument Daguerreotype	-	25	23	(2)	
Mayoralty & Shrievalty*	91	91	75	(16)	
<b>Total City's Cash</b>	<b>91</b>	<b>116</b>	<b>98</b>	<b>(18)</b>	
<b>Total Assistant Town Clerk and Cultural Hub Director</b>	<b>6,123</b>	<b>5,863</b>	<b>5,807</b>	<b>(56)</b>	
<b>Director of Open Spaces</b>					
<b>City's Cash</b>					
Monument	(234)	(234)	(81)	153	3
Keats House	192	192	192	-	
<b>Total City's Cash</b>	<b>(42)</b>	<b>(42)</b>	<b>111</b>	<b>153</b>	
<b>Bridge House Estates</b>					
Tower Bridge Tourism	(885)	(1,164)	(1,899)	(735)	4
<b>Total Bridge House Estates</b>	<b>(885)</b>	<b>(1,164)</b>	<b>(1,899)</b>	<b>(735)</b>	
<b>Total Director of Open Spaces</b>	<b>(927)</b>	<b>(1,206)</b>	<b>(1,788)</b>	<b>(582)</b>	

**Director of Community & Children's Services**

**City Fund**

Information Services Section	-	339	345	6	
Barbican & Community Libraries	1,807	1,861	1,838	(23)	
<b>Total City Fund</b>	<b>1,807</b>	<b>2,200</b>	<b>2,183</b>	<b>(17)</b>	

<b>Total Director of Community &amp; Children's Services</b>	<b>1,807</b>	<b>2,200</b>	<b>2,183</b>	<b>(17)</b>	
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<b>Total City Surveyor</b>	<b>873</b>	<b>574</b>	<b>689</b>	<b>115</b>	<b>5</b>
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<b>TOTAL LOCAL RISK</b>	<b>7,876</b>	<b>7,431</b>	<b>6,891</b>	<b>(540)</b>	
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**CENTRAL RISK**

Museum of London Grant	5,292	5,292	5,292	-	
City of London Festival	357	357	354	(3)	
Other costs including rent, rates, service charges & capital	660	1,028	1,006	(22)	

<b>TOTAL CENTRAL RISK</b>	<b>6,309</b>	<b>6,677</b>	<b>6,652</b>	<b>(25)</b>	
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<b>CAPITAL &amp; SUPPORT SERVICES</b>	<b>6,099</b>	<b>5,950</b>	<b>5,976</b>	<b>26</b>	<b>6</b>
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<b>OVERALL TOTAL</b>	<b>20,284</b>	<b>20,058</b>	<b>19,519</b>	<b>(539)</b>	
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\*These budgets are held by the Assistant Town Clerk and Cultural Hub Director but relate to building maintenance work and as such any underspends relates to the City Surveyor and cannot be carried forward.

**Reasons for Significant Variations**

3. The main reason for the deficit of income is the closure of the Monument for a significant period during the first three months of the financial year for essential unexpected repair works and the impact of TfL hoardings at Fish St Hill which partially obscure views of and access to the attraction.
4. The £735,000 surplus at Tower Bridge mainly attributable to venue hire from a higher number of events than anticipated at the Bridge and tourism income owing to higher (134,000) than anticipated visitor figures. It was originally expected that the 3 month closure of the Bridge for major resurfacing works would impose a negative effect on business performance, although mitigation action taken by officers in the form of further promotions, increased signage and various additional activities were highly successful. The number of visitors to the Exhibition for the year was above target by 19% and above 2015/16 performance by 4%, as a result the resource base was increased by £300K at the time of revised estimates. With the opening of the new Gift shop, retail

income exceeded £1m for the first time. The budget income target for 2017/18 has been increased by a further £300K.

5. The City Surveyor overspend of £115,000 is due to changes in the phasing over the 3 year cycle of each of the Additional Works Programmes, projects have been prioritised and re-phased over those 3 years
6. The table below shows a breakdown of the Capital and Support Services budgets and expenditure.

	<i>Original Budget</i>	Final Agreed Budget	Revenue Outturn	<b>Variation Increase/ (Decrease)</b>
	£000	£000	£000	£000
<b>CAPITAL &amp; SUPPORT SERVICES</b>				
Capital Charges	1,918	1,731	1,731	-
Support Services, including Chamberlains, Comptrollers & Town Clerks	883	956	937	(19)
Surveyors Employee & IT Recharges	966	1,155	1,147	(8)
Guildhall Admin Buildings	2,438	2,223	2,215	(8)
Insurances, including premises & Liability	265	250	255	5
Other recharges	(371)	(365)	(309)	56
<b>TOTAL CAPITAL &amp; SUPPORT SERVICES</b>	<b>6,099</b>	<b>5,950</b>	<b>5,976</b>	<b>26</b>

The variance to Other recharges mainly relate to higher than expected utility recharges from the Barbican Centre to Barbican Library. Recharges have a corresponding contra entry in their own accounts. Consequently these charges have no overall impact on net expenditure.

### **Local Risk Carry Forward to 2017/18**

7. The Assistant Town Clerk and Cultural Hub Director has a local risk underspend of £42,000 on activities overseen by your Committee, (excluding the two services relating to the City Surveyor), all of which relates to City Fund and City's Cash. The Assistant Town Clerk is proposing to request that £39,000 of City Fund underspend be carried forward.
8. The Director of Open Spaces has a favourable variance on local risk of £582,000 on activities overseen by your Committee, of which £735,000 relates to Bridge House Estates, which is partly offset by an underperformance on income generation of £153,000 on City's Cash. The Director is proposing to request that £200,000 of the Bridge House Estates monies be carried forward, all of which relates to activities overseen by your Committee.
9. The Director of Children's and Community Services has a local risk underspend of £23,000 on activities overseen by your Committee, all of which relates to City Fund. The Director is proposing to request that £17,000 of City Fund underspend be carried forward, all of which relates to activities overseen by your Committee.

10. The following purposes are proposed: -

- as a result of the review of security arrangements within the Guildhall Library emergency security cover, at an estimated cost of £27.5k, has been required until a permanent solution can be provided. The likely cost of these more permanent changes, if agreed, will be £110k. This carry forward will partially offset these costs: **£39,000**
- Accessible Education Centre - funds requested to be capitalised as part of the project to provide a new fully accessible education centre at Tower Bridge. The project supports the income generation at Tower Bridge and the wider goals on inclusion, accessibility, engagement and learning provision. The current learning centre is not wheelchair accessible and can only accommodate half a standard class size. This limitation creates complication and expense for schools and reduces the total number of students the programme can engage. Some schools are now being turned away due to the operational capacity limit. A new fully accessible learning centre will enable the service to engage with more children in London and generate additional income. This project featured in the 16/17 CHL Business Plan and features in the 16/17 OSH Business Plan and supports the 2016-19 City of London Education Strategy. This project already has Gateway 2 approval: **£200,000**
- to fund an upgrade to the computers for public use at the lending libraries. Last year, the network upgrade works were completed to make the system faster and more stable but some essential rerouting work has been identified, the hardware in use is nine years old and a number of machines have already failed. This money will not cover the complete upgrade but could fund approximately half of it including labour costs: **£17,000**

### **City of London overall Financial Position and context for the Efficiency and Sustainability Plan**

11. The Court of Common Council approved the published Efficiency and Sustainability Plan on the 13th October 2016. This plan focuses on the existing Service Based Review programme which is now nearing completion, other agreed transformation initiatives and developing a framework for continuous efficiency improvement for 2017/18 and later years. This plan needs to be viewed in the context of the overall Medium Term Financial Strategy to have a five year plan with sufficient cashable savings to present a balanced budget for all four funds and adopting an investment approach utilising the headroom to invest in one-off projects such as the Museum of London relocation project and 'bow wave' list of outstanding repairs.

## Appendices

- Appendix 1 - Reconciliation of original local risk budget to the final agreed local risk budget.
- Appendix 2 - Efficiency & Sustainability Plan.

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	<b>£000</b>
<b>Original Local Risk Budget</b>	<b>7,876</b>
City Fund and City's Cash carry forwards	127
All funds contribution pay, budget uplift	52
City Fund and Bridge House Estates budget virements uplift, mainly due to a transfer of £45,000 to the Barbican & Community Libraries due to being commissioned by the Department of Community and Children's Services to carry out a range of Children's Centre Services. This is partly offset by Corporate transfers of £28,000 relating to Printing (£14,000) and the Graduate Scheme (£14,000) and a transfer of resources from Tower Bridge Tourism to Tower Bridge Operational (£4,000).	13
Bridge House Estates – Income targets increased at Tower Bridge due to excellent performance during the first six months of the year	(300)
Bridge House Estates local risk - one-off transfer from local risk to revenue to fund the education and community engagement centre capital project	(13)
Bridge House Estates – one-off transfer of local risk budget to City Surveyors to cover additional facilities management costs in relation to the Bridgemasters House	(25)
City Surveyor local risk changes in the phasing over the 3 year cycle of each of the Additional Works Programmes	(299)
<b>Final Agreed Local Risk Budget</b>	<b><u>7,431</u></b>



## **Efficiency & Sustainability Plan - Appendix 2**

### **CORE MESSAGES ON THE CITY OF LONDON CORPORATION'S FINANCES – January 2017**

#### **Our aim:**

Our funds are there to help the City of London Corporation promote financial, professional and business services, provide excellent public services and support the City, capital and country as a whole.

They must be used economically, efficiently and effectively to maintain the City's underlying infrastructure and services and so we can prioritise paying for initiatives which meet our long-term ambitions.

#### **How we do this:**

The City has four funds.

Two of these are paid for by ratepayers and taxpayers:

- City Fund - money used to cover local authority activities in the square mile and beyond.
- Police Fund – the money used to pay for the City of London Police Force

Two are provided at no cost to the taxpayer:

- City's Cash - an endowment fund built up over 800 years and passed from generation to generation used to fund services that benefit London and the nation as a whole.
- Bridge House Estates - the money used to look after five bridges over the Thames with any surpluses being used for charitable purposes and awarded through the City Bridge Trust.

It is a duty on us to make the best use of the resources we have. This can only be done through continually reviewing the economy, efficiency and effectiveness of our services, the outcomes that are achieved and how they meet our long-term ambitions.

Everyone has a role to play in constantly challenging what we do and thinking about how we could do things better.

#### **Are there further cuts being made?**

Yes, but only 2% and only to ensure continuous improvement. In 2014, we estimated that due to cuts in government funding City Fund would be facing deficits

approaching £11m by 2017/18 so we had to deal with this by scrutinising all our activities in what we called the Service Based Review.

We could, of course, have just made efficiencies in those areas paid out of public funds. But we decided it was not fair or equitable to ask some parts of our organisation to be more efficient and not others.

Proposals totalling £20m in efficiencies/extra income were identified and are well underway to being implemented. Following the completion of the Service Based Review programme, a continuous 2% per annum budget reduction target will be introduced across all our services. Departments will be expected to meet this through efficiency and performance improvements.

### **Why are we continuing to make budget reductions?**

Firstly, we have a duty to ensure the most effective and efficient use of our resources.

Secondly, we continue to have big cost pressures. We live in an historic and ageing City. Many of our properties are deteriorating which requires an increased level of investment, and our IT infrastructure and service needs investment. In addition the City of London Police needs to address the changing nature of policing and the increasing demands placed on the service in the context of increased security threats from terrorism, growing cybercrime and online economic crime and intelligence requirements.

Thirdly, by being economic, efficient and making savings and focusing our efforts where we are most effective we can enhance existing services and pursue new priorities and increasingly ambitious outcomes for the benefit of the City, London and the nation.

### **Why not utilise the City's Cash fund endowment?**

This is money which has been passed down to us over the years, produces income for us and is not to be used lightly as we want to pass it on to future generations to sustain services in the medium to longer term. Its income comes mainly from property and investments and is used to finance activities for the benefit of the City, London and the nation as a whole. Any sale of the underlying investments reduces the ability of the fund to generate income in future years.

The City's Cash budget will be running a deficit over the next three years to allow us to carry out essential investment before returning to a small surplus in 2020/21.

### **So what does the future look like for these funds?**

The financial forward look for two of our funds is relatively healthy but uncertainties remain.

- **City Fund:** we have been planning for a continuing reduction in government grant and the underlying budget position is robust. We will be using the headroom to invest in essential repairs and maintenance and to fund the building of the new Museum of London to the benefit of all Londoners and the country as a whole.
- **City's Cash:** The forecast deficit over the next three years reflects our commitment to carry out essential investment and to support cultural development before returning to a small surplus in 2020/21.
- **Bridge House Estates:** the rising surplus will increase the resources available to the City Bridge Trust for charitable giving across London.
- **The Police Fund:** The underlying financial position remains very challenging with the recent Police core grant settlement marginally lower than anticipated. Additional cost pressures have meant the fund has moved into deficit, utilising the remaining ring fenced reserves in 2016/17 and 2017/18. An interim strategy has been developed and proposed for dealing with the deficit to the end of 2017/18. The Town Clerk, the Chamberlain and the Commissioner, have commissioned a review of the Police operating model, focusing on future demand modelling and how best to secure VFM, to identify options to address the, as yet unfunded, projected deficits of £5.6m in 2018/19 and £3.8m in 2019/20.

### **What are your total assets?**

The City of London Corporation has assets of around £4bn. Income from these assets fund our services and any sale of assets to fund on-going services in the short term would harm our ability to protect services in the medium to longer term. Sale of many of our local authority assets to fund day to day services is also effectively prohibited by Local Government accounting rules.